Winning the War for Talent

Part I – The Challenges

By Bob Lavigna

In many organizations, it has almost become a cliché that "people are our most important resource." The term "human resources" has even evolved into "human capital" to reflect the belief that employees are assets we must invest in, not resources that we use up. In other words, people are just as important (or even more important) as the financial assets shown on balance sheets.

The impending retirement boom and resulting worker shortage is one of many workforce challenges facing government agencies of all types and at all levels.

Nowhere is the need for talented people more critical than in the public sector. Simply put, to succeed, government must have good people. Today, government agencies of all types and at all levels are engaged in a war for talent. Some agencies may not have faced up to this reality yet. If not, they are in denial. The public service faces an unprecedented onslaught of workforce challenges, including:

- A looming worker shortage caused by the impending retirement boom;
- A negative public image resulting from decades of government bashing;
- Changing employee attitudes about jobs and careers;
- Rapid change (e.g., in technology and the work we do) that requires new skills;
- Budget problems that limit compensation and financial incentives;
- Continued inability to effectively deal with poor performers; and
- Complicated, slow, and user-*un*friendly personnel and human resource systems.

Compounding these problems are the even greater budget struggles ahead, the specter of privatization and outsourcing, and the growing call for government to be accountable and produce measurable results. In this complex environment, it's no wonder that government agencies face big challenges recruiting, developing, and retaining talent.

While the entire public sector faces this tough landscape, the financial community is particularly vulnerable because of the relative scarcity of talented financial professionals and the tough competition with the private sector to hire and retain them.

U.S. Comptroller General David Walker frames the challenge in the following terms: "[We] ... need to transform what government does and how it does business in the 21st century. Most agencies must come to grips with the fact that some of their most basic policies, processes, and procedures are years out of date. In the human capital area ... managers need to identify their own workforce needs and do a better job of recruiting and empowering employees, and recognizing and rewarding performance ... . Modernizing the government's human capital policies and practices may mean the difference between success and failure in this war for talent."

In this, the first of two articles on public sector workforce issues, the focus is on the challenges — the bad news. In the next article, we will discuss the solutions — the good news — by highlighting specific examples of how government agencies are strategically and proactively adopting creative new solutions to attract, develop, and retain talent.

THE LOOMING WORKER SHORTAGE

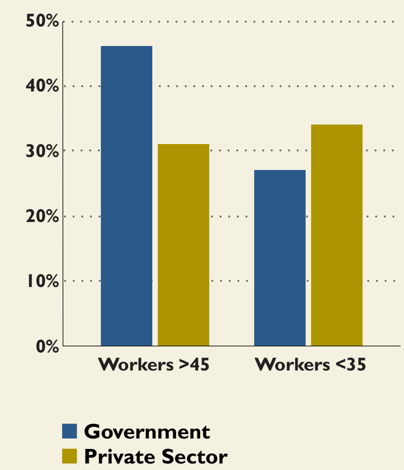
The nation's aging labor force presents an unprecedented challenge for both public and private sector employers. Baby boomers are beginning to retire in record numbers, and there simply aren't enough workers to replace them. The actual numbers are sobering:

- There are more than 70 million baby boomers approaching retirement age, and only 40 million workers to replace them.
- According to the U.S. Bureau of Labor Statistics, the number of workers between ages 25 and 44 will decrease, as a percentage of the labor force, from 51 percent to 44 percent by 2008, and will continue to decline after that.
- At the same time, the percentage of workers 45 and older will increase from 33 percent to 40 percent by 2008.
- By 2010, the number of people in the U.S. between the ages of 60 and 64 will have increased by more than 50 percent from 2000. Many of these people will have left the workforce.

These changes will hit government first, and will hit government hard. That's because, on average, public sector workers are older than private sector workers (see chart). This reality is attributable, in large part, to years of government hiring freezes and layoffs, and to "golden handcuff" retirement and health insurance plans.

The "age bubble" moving through our workforce will not only strip public agencies of workers in general, but of their most experienced and talented leaders. In too many agencies, there is no leadership bench strength, because years of hiring freezes, layoffs, limited promotions, early retirement plans, and budget cuts have undermined development programs. The result is not only a worker shortage, but

Older and Younger Workers – Government vs. Private Sector



Source: "The Aging Government Workforce," Nelson A. Rockefeller School of Government

also a leadership gap. This worker and leadership gap means that, more than ever before, government will be competing head-to-head with the private sector for talent.

NEGATIVE IMAGE OF GOVERNMENT

Social scientists have been measuring the public's faith in government for nearly 50 years, and have chronicled a steep decline in confidence. Trust in government peaked at 76 percent in the early 1960s, before the Vietnam War, Watergate, and a series of scathing scandals sent ratings plummeting to today's low levels. Since then, many candidates have campaigned for office on a "government is the problem" platform. Now, only 40 percent of Americans say they trust government to do what's right "most of the time." Sadly, the result is that government agencies and their employees are often perceived as inefficient, obstructionist, and even lazy.

This erosion of confidence presents a daunting challenge for recruiting and retaining talent. After decades of scandal and government bashing, the public sector is no longer the career of choice for most job seekers. Compounding this problem is the continued use of lengthy and complicated civil service exam processes. Too often, these systems produce not the "best and brightest," but the "best of the desperate" — job seekers with few options who have no choice but to fight their way through long and complicated hiring processes.

NEW ATTITUDES ABOUT WORK

The people now entering the workforce have different perspectives, attitudes, and expectations about the world of work. These attitudes shape their views of careers and jobs. Often, more experienced workers interpret these new attitudes as a "work ethic" problem.

Traditionally, most Americans have subscribed to the belief that "if you work hard, you will be successful." Today, more and more American workers, especially younger ones, have different priorities and views of what is important in life. The result is that employee loyalty is declining, and people will work hard only if their jobs are interesting and allow them to pursue their lifestyles. Today's entrants into the world of work expect to have three or more different careers and 10 different employers in their lifetimes. To compete for young talent, employers must understand this new work ethic and find new ways to adapt.

CHANGING SKILL NEEDS

As we advance further into the 21st century, workforce skills must continue to evolve. Financial management professionals increasingly rely on technology to work more efficiently and effectively. Existing and emerging technologies produce real-time financial information on-demand.

Technology allows taxpayers to file their returns online, and also opens the way for financial professionals to focus collections efforts where the yield is highest. For auditors, new technology provides access to information that previously was difficult and expensive to obtain. Technological advances like these presage enormous shifts in the way financial organizations manage their work, and offer ways to increase productivity and reduce costs.

Beyond technology, financial professionals must continue to expand their full range of skills. The financial profession has evolved from a paper-driven, labor-intensive process to a more consultative practice in which financial professionals are advisors, analysts, and business partners. This functional evolution requires a new set of skills and competencies. In addition to core technical skills, financial professionals need to be adept at communicating, developing strategies, negotiating and influencing, building relationships and teams, analyzing problems, developing innovative solutions, and resolving ethical ambiguities.

Much is being said and written about high-performance workplaces that will require higher-order skills. According to the U.S. Department of Labor's Secretary's Commission on Achieving Necessary Skills, 21st century workers need to manage resources, work amicably and productively with others, acquire and use information, master complex systems, and work with a variety of technologies. Other increasingly important skills include multicultural literacy and global awareness. Public agencies must clearly identify and articulate critical competencies, and then build their entire HR systems around them.

LESS-COMPETITIVE COMPENSATION

Another challenge is providing competitive compensation. Too often, public organizations lack the pay and benefits flexibility to compete with the private sector for talent. Inflexible compensation systems, such as those based on grades and steps, rigidly set starting salaries and base pay progression on tenure and seniority, not performance. These inflexible systems often are mandated by collective bargaining agreements.

The good news is that some public sector organizations have put into place more competitive compensation systems that allow managers to base starting salaries on qualifications and what competitors are paying, and also offer performance-based bonuses and raises. "Broadbanding" of pay ranges is a related approach that reduces the number of pay ranges and expands the width of the remaining ranges. This gives hiring managers more flexibility to set starting salaries and award pay raises and bonuses. Some jurisdictions have even negotiated more flexible compensation systems with their labor unions.

DEALING WITH POOR PERFORMERS

Many government agencies operate under strict laws, rules, and regulations that reflect our mission-driven focus. Perhaps nowhere is the rule-based nature of government more evident (and more problematic) than in human resources. We operate in a complex web of personnel laws and rules that determine how, and how long, we can recruit; how employees fit into narrow job classifications; how they can be assigned and advance; how we compensate; how we deal with performance issues; and so on. As a result, government is not as timely, nimble, or responsive as it must be to compete for talent.

Dealing with poor performers is a classic example of this complex web of personnel rules and disincentives. Poor performers are a continual source of frustration for managers and organizations. According to The Coalition for Effective Change, a non-partisan alliance that represents federal managers, executives, and professionals, "... it is clear that failure to deal effectively with poor performers is less a function of the particular performance systems employed than it is a reflection of the incentives (or lack thereof) for supervisors/managers to take on the difficult and time-consuming process of constructively confronting employees who cannot or will not do their jobs."

Public sector employees have unmatched job security, based on court-determined property rights to their jobs; and multiple protections and appeal rights that require supervisors to carefully document performance, and then patiently and carefully work through the system. While employee safeguards rightfully ensure due process for employees, the system needs to work better and faster.

USER *UN*FRIENDLY APPLICATION AND HIRING SYSTEMS

Finally, to compete in the war for talent, government must overhaul slow and ineffective application and hiring systems. The best candidates are often unwilling to endure a lengthy paper-based application process, a written civil service exam, and a complicated scoring process to identify just a few (typically the top three or five) candidates who can be interviewed.

The good news is that some public jurisdictions *are* creating more responsive, timely, and user-friendly hiring processes that still preserve fundamental merit principles. These approaches include amending civil service laws to eliminate the rule of three (or five) and make hiring processes more flexible, recruiting more aggressively, developing more competitive alternatives to traditional written exams, and using technology.

CAUSE FOR OPTIMISM

Today's and tomorrow's workforce challenges are clear and inescapable. But there is cause for optimism. The workforce issues we face tomorrow are not insurmountable if they are managed today. And there are solutions that aren't just theoretical, but are already in place in some government jurisdictions. In Part 2 of this two-part series, we will highlight practices that are enabling some government agencies to prepare today to face tomorrow's rapidly approaching challenges.

BOB LAVIGNA is senior manager for client services for CPS Human Resource Services, a self-supporting public agency that provides consulting services to federal, state, and local government. He was named a *Governing* magazine Public Official of the Year in 2000 for his work in reforming Wisconsin's civil service system. Mr. Lavigna holds a bachelor's degree in public affairs from George Washington University and a master's degree in human resource management from Cornell University.

The author is grateful to his CPS colleagues Mertianna Georgia and Diana Campbell for their help in preparing this article.